

SEP 20 2002

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Attorneys for Complainant

**BEFORE THE  
CALIFORNIA BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

Case No. AC-2001-29

LIEN D. NGUYEN  
4960 East Crescent Drive  
Anaheim, CA 92807-3630

**STIPULATED SETTLEMENT  
AND DISCIPLINARY ORDER**

CPA Certificate No. 50144, and

LIEN D. NGUYEN CPA Inc.  
14180 Brookhurst Street  
Garden Grove, CA 92843

CPA Corporation License No. COR 4774,

Respondents.

IT IS HEREBY STIPULATED AND AGREED by and between the parties to the  
above-entitled proceedings that the following matters are true:

**PARTIES**

1. Carol Sigmann (Complainant) is the Executive Officer of the California  
Board of Accountancy ("Board"). She brought this action solely in her official capacity  
and is represented in this matter by Bill Lockyer, Attorney General of the State of California,  
by Jeanne C. Werner, Deputy Attorney General.

2. LIEN D. NGUYEN (Respondent) and his corporation are represented by  
Cindy Shapiro, of CHAPMAN GLUCKSMAN & DEAN.



1 and all other rights accorded by the California Administrative Procedure Act and other applicable  
2 laws.

3 7. Respondent voluntarily, knowingly, and intelligently waives and gives up  
4 each and every right set forth above.

#### 5 CULPABILITY

6 8. For purposes of this proceeding only, Respondent admits the truth of each  
7 and every charge and allegation in Accusation No. AC-2001-29, as follows:

8 (A) Respondent admits that, as set forth in paragraphs 10 through 20,  
9 he was grossly negligent in the performance of his audit of the 1999 financial statements of  
10 Apex Escrow, Inc.

11 (B) Respondent also admits that his performance of the compilation for  
12 Glamour Beauty College for 1999 was grossly negligent as charged in paragraphs 21 through 23,  
13 and that his compilation report violated Code section 5062 of the Accountancy Act.

14 (C) Respondent also admits that his 1992 Peer Review Report included the  
15 statement set forth in paragraph 25 of the Accusation.

16 9. The admissions made by Respondent herein are only for the purposes  
17 of this proceeding, or any other proceedings in which the Board of Accountancy or other  
18 professional licensing agency is involved, and shall not be admissible in any other criminal  
19 or civil proceeding.

20 10. Respondent agrees that his Certified Public Accountant Certificate  
21 Number 50144 and his CPA Corporation License Number COR 4774 are subject to discipline,  
22 and he agrees to be bound by the Board's imposition of discipline as set forth in the Disciplinary  
23 Order below.

#### 24 CONTINGENCY

25 11. This stipulation shall be subject to approval by the California Board of  
26 Accountancy. Respondent understands and agrees that counsel for Complainant and the staff of  
27 the Board may communicate directly with the Board regarding this stipulation and settlement,  
28 without notice to or participation by Respondent. By signing the stipulation, Respondent

1 understands and agrees that he may not withdraw his agreement or seek to rescind the stipulation  
2 prior to the time the Board considers and acts upon it. If the Board fails to adopt this stipulation  
3 as its Decision and Order, the Stipulated Settlement and Disciplinary Order shall be of no force  
4 or effect, except for this paragraph, it shall be inadmissible in any legal action between the  
5 parties, and the Board shall not be disqualified from further action by having considered this  
6 matter.

7                   12.     The parties understand and agree that facsimile copies of this Stipulated  
8 Settlement and Disciplinary Order, including facsimile signatures thereto, shall have the same  
9 force and effect as the originals.

10                   13.     In consideration of the foregoing admissions and stipulations, the parties  
11 agree that the Board may, without further notice or formal proceeding, issue and enter the  
12 following Disciplinary Order:

13   **DISCIPLINARY ORDER**

14                   IT IS HEREBY ORDERED that Certified Public Accountant Certificate Number  
15 50144 and CPA Corporation License Number COR 4774, issued to Respondent LIEN D.  
16 NGUYEN, are revoked. However, the revocations are stayed, Respondent and his corporation  
17 are permanently barred from performing audit, review, or compilation engagements, and  
18 Respondent's licenses are placed on probation for three (3) years on the following terms and  
19 conditions:

20                   1.     **Restricted Practice.** Respondent shall be permanently prohibited from  
21 performing audit, review, or compilation engagements under either of his licenses issued by the  
22 Board.

23                   2.     **Obey All Laws.** Respondent shall obey all federal, California,  
24 other states' and local laws, including those rules relating to the practice of public accountancy  
25 in California.

26                   3.     **Submit Written Reports.** Respondent shall submit, within ten (10) days  
27 of completion of the quarter, written reports to the Board on a form obtained from the Board.  
28 The Respondent shall submit, under penalty of perjury, such other written reports, declarations,

1 and verification of actions as are required. These declarations shall contain statements relative  
2 to Respondent's compliance with all the terms and conditions of probation. Respondent shall  
3 immediately execute all release of information forms as may be required by the Board or its  
4 representatives.

5           4.       **Personal Appearances.** Respondent shall, during the period of probation,  
6 appear in person at interviews/meetings as directed by the Board or its designated  
7 representatives, provided such notification is accomplished in a timely manner.

8           5.       **Comply With Probation.** Respondent shall fully comply with the terms  
9 and conditions of the probation imposed by the Board and shall cooperate fully with  
10 representatives of the California Board of Accountancy in its monitoring and investigation of  
11 the Respondent's compliance with probation terms and conditions.

12           6.       **Practice Investigation.** Respondent shall be subject to, and shall permit,  
13 practice investigation of the Respondent's professional practice. Such a practice investigation  
14 shall be conducted by representatives of the Board, provided notification of such review is  
15 accomplished in a timely manner. There shall no notice requirement for purposes of monitoring  
16 or verifying representations made to the Board or monitoring practice restrictions.

17           7.       **Comply With Citations.** Respondent shall comply with all final orders  
18 resulting from citations issued by the California Board of Accountancy.

19           8.       **Tolling of Probation For Out-of-State Residence/Practice.** In the event  
20 Respondent should leave California to reside or practice outside this state, Respondent must  
21 notify the Board in writing of the dates of departure and return. Periods of non-California  
22 residency or practice outside the state shall not apply to reduction of the probationary period, or  
23 of any suspension. No obligation imposed herein, including requirements to file written reports,  
24 reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise  
25 affected by such periods of out-of-state residency or practice except at the written direction of  
26 the Board.

27           9.       **Cost Reimbursement.** Respondent shall reimburse the Board \$11,700.00  
28 for its investigation and prosecution costs. The payment shall be made in nine quarterly

payments (due with quarterly written reports), the first two payments in the amount of \$2000 and the remaining seven payments in the amount of \$1100 each, with the final payment being due approximately six months before probation is scheduled to terminate.

10. **Violation of Probation.** If Respondent violates probation in any respect, the Board, after giving Respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against Respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

11. **Completion of Probation.** Upon successful completion of probation, Respondent's licenses will be fully restored.

## ACCEPTANCE

I have carefully read the Stipulated Settlement and Disciplinary Order and have fully discussed it with my attorney, Cindy Shapiro. I understand the stipulation and the effect it will have on my Certified Public Accountant Certificate Number 50144 and my CPA Corporation License Number COR 4774. I enter into this Stipulated Settlement and Disciplinary Order voluntarily, knowingly, and intelligently, and agree to be bound by the Decision and Order of the California Board of Accountancy. I further agree that a facsimile copy of this Stipulated Settlement and Disciplinary Order, including facsimile copies of signatures, may be used with the same force and effect as the originals.

DATED: September 17, 2002.

Lien Nguyen  
LIEN D. NGUYEN, Respondent  
For Himself and Respondent Corporation

I have read and fully discussed with Respondent LIEN D. NGUYEN the terms and conditions and other matters contained in the above Stipulated Settlement and Disciplinary Order. I approve its form and content.

DATED: ~~September~~ <sup>October</sup> 23, 2002.

Cindy Shapiro  
CINDY SHAPIRO  
Attorney for Respondent


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ENDORSEMENT

The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully submitted for consideration by the California Board of Accountancy of the Department of Consumer Affairs.

DATED: 25 October 2002

BILL LOCKYER, Attorney General  
of the State of California

  
JEANNE C. WERNER  
Deputy Attorney General  
Attorneys for Complainant

**BEFORE THE  
CALIFORNIA BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

LIEN D. NGUYEN  
4960 East Crescent Drive  
Anaheim, CA 92807-3630

CPA Certificate No. 50144, and

LIEN D. NGUYEN CPA Inc.  
14180 Brookhurst Street  
Garden Grove, CA 92843

CPA Corporation License No. COR 4774,

Respondents.

Case No. AC-2001-29

**DECISION AND ORDER**

The attached Stipulated Settlement and Disciplinary Order is hereby adopted by the California Board of Accountancy, Department of Consumer Affairs, as its Decision in this matter, effective thirty days following the date of service on the parties as set forth below:

It is so ORDERED on November 20, 2002.



\_\_\_\_\_  
DAVID SHARAFATIAN, President

For The CALIFORNIA BOARD OF ACCOUNTANCY  
CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS



BILL LOCKYER, Attorney General  
of the State of California  
JEANNE C. WERNER, State Bar No. 93170  
Deputy Attorney General  
California Department of Justice  
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Attorneys for Complainant

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CALIFORNIA BOARD OF ACCOUNTANCY  
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Case No. AC-2001-29

LIEN D. NGUYEN  
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**ACCUSATION**

CPA Certificate No. 50144, and

LIEN D. NGUYEN CPA Inc.  
14180 Brookhurst Street  
Garden Grove, CA 92843

CPA Corporation License No. COR 4774,

Respondents.

Complainant Carol Sigmann, as causes for disciplinary action, alleges:

**JURISDICTION, STATUTES AND PROFESSIONAL STANDARDS**

1. Carol Sigmann ("Complainant") brings this Accusation solely in her official capacity as the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs ("Board").

2. On or about March 12, 1988, the Board issued Certified Public Accountant Certificate Number 50144 to Lien D. Nguyen ("Respondent or Respondent Nguyen"). The Certified Public Accountant Certificate was in full force and effect at all times relevant to the charges brought

1 herein and is renewed through September 30, 2002.

2 3. On or about March 7, 2000, the Board of Accountancy issued CPA Corporation  
3 License Number COR 4774 to Respondent Lien D. Nguyen's corporation, Lien D. Nguyen CPA  
4 Inc. ("Respondent Corporation"<sup>1</sup>). The CPA Corporation License was in full force and effect at  
5 all times relevant to the charges brought herein and is renewed through March 31, 2002.

6 Respondent Lien D. Nguyen is the sole shareholder of the corporation.

7 4. This Accusation is brought before the Board under Section 5100 of the Business and  
8 Professions Code ("Code"), which, at all times material herein, has provided that the Board may  
9 revoke, suspend or refuse to renew any permit or certificate issued by the Board (including  
10 individual and corporate licenses) for unprofessional conduct which includes, but is not limited  
11 to, "gross negligence in the practice of public accountancy" [Section 5100(c)] and the willful  
12 violation of the Accountancy Act or any rule or regulation promulgated by the Board. [Section  
13 5100(f)].

14 5. Code section 5062 provides that, upon completion of a compilation, review, or audit  
15 of financial statements, a licensee shall issue a report which conforms to professional standards.

16 6. Board Rule 58 (Title 16, California Code of Regulations, section 58) provides that  
17 licensees engaged in the practice of public accountancy must comply with all applicable  
18 professional standards, including but not limited to generally accepted accounting principles and  
19 generally accepted auditing standards.

20 7. Pursuant to Code section 118(b), the suspension, expiration, or forfeiture by operation  
21 of law of a license issued by the Board shall not, during any period in which it may be renewed,  
22 restored, reissued, or reinstated, deprive the Board of its authority to institute or continue a  
23 disciplinary proceeding against the licensee upon any ground provided by law or to enter an  
24 order suspending or revoking the license or otherwise taking disciplinary action against the  
25 licensee on any such ground. Code section 5070.6 provides that an expired permit may be  
26 renewed at any time within five years after its expiration upon compliance with certain

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27 1. The term "respondent" as used herein will usually refer to the individual respondent,  
28 Lien Nguyen, although his corporate license is also named as a respondent in this action.

1 requirements.

2 8. Code section 5107 provides for recovery by the Board of all reasonable costs of  
3 investigation and prosecution in specified disciplinary actions, including alleged violations of  
4 Code section 5100(c), which costs include, but are not limited to, attorneys' fees. A certified  
5 copy of the actual costs, or a good faith estimate of costs signed by the Executive Officer,  
6 constitute prima facie evidence of reasonable costs of investigation and prosecution of the case.

7 9. Standards of practice pertinent to this accusation and the engagements in issue include,  
8 without limitation:

9 A. Generally Accepted Auditing Standards ("GAAS") issued by the American  
10 Institute of Certified Public Accountants (AICPA). The ten GAAS (AU §150), which are  
11 interrelated, are attached as Exhibit A and are discussed in the Statements on Auditing Standards  
12 ("SAS"). The SAS are codified, by "AU" number, in the AICPA's *Codification of Statements on*  
13 *Auditing Standards*. Among the SAS relevant herein (in addition to AU §150 which sets forth  
14 the Generally Accepted Auditing Standards and introduces the concepts of "materiality" and  
15 "audit risk") are:

16 AU §210 (Training and Proficiency of the Independent Auditor);

17 AU §230 (Due Care);

18 AU §311 (Planning and Supervision);

19 AU §316 (Responsibility to Detect and Report Errors and Irregularities) and

20 AU §316.37 (Documentation of the Auditor's Risk Assessment);

21 AU §319 (Internal Control) and Appendix A (Control Environment Factors);

22 AU §326 (Evidential Matter);

23 AU §329 (Analytical Procedures);

24 AU §333 (Management Representations);

25 AU §337 (Inquiry of a Client's Lawyer) and AU §9337 (Inquiry of a Client's Lawyer:

26 Interpretation);

27 AU §339 (Working Papers); and

28 AU §508 (Auditor's Report).

1 B. Generally Accepted Accounting Principles ("GAAP"), derived from various  
2 authoritative sources including, without limitation, Statements of Financial Accounting  
3 Standards (SFAS or FAS), issued and codified by the Financial Accounting Standards Board  
4 (FASB). SFAS are the most authoritative source for GAAP. The statements pertinent herein  
5 include, without limitation, SFAS No. 95.

6 C. Statements on Standards for Accounting and Review Services ("SSARS"),  
7 codified by the AICPA by "AR" number, which apply to the performance of compilation  
8 engagements. Pertinent herein is SSARS No. 1 (AR §100).

9 **FIRST CAUSE FOR DISCIPLINE**

10 **1999 Audit of Apex Escrow, Inc.**

11 10. Respondent was engaged to perform, and did perform, an audit of the financial  
12 statements of Apex Escrow, Inc. (Apex) for the fiscal year ended December 31, 1999. The  
13 escrow accounts are the major item on the Apex balance sheet. Approximately \$1.37 million of  
14 Apex's total assets (\$1.56 million) was "cash in bank and trust account." The escrow trust  
15 account liabilities were \$1,344,287.

16 11. This was the third period for which respondent audited Apex's financial statements.<sup>2</sup>  
17 Respondent Nguyen's auditor's report on the audit of the 1999 financial statements is dated April  
18 14, 2000. In this report, respondent stated that the financial statements were presented fairly in  
19 all material respects, in conformity with GAAP, and that the audit was conducted in accordance  
20 with GAAS.

21 12. Respondents' licenses are subject to disciplinary action under Code section 5100(c)  
22 for unprofessional conduct in that Respondent Nguyen performed this audit of financial  
23 statements in a grossly negligent manner as alleged herein.

24 **First Standard of Fieldwork - Planning**

25 13. The first standard of fieldwork requires adequate planning and proper supervision  
26 (See AU §150.) The audit contained extreme departures from GAAS requirements for planning  
27

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28 2. This audit of Apex's financial statements may be referenced herein by the term "audit."

an audit, including but not limited to Respondent Nguyen's failure to:

A. Obtain a level of knowledge of the client and its industry, or to consider the nature, extent, and timing of work to be performed. [See esp. AU §§311.03-.10 and 329.]

B. Perform and document adequate planning or procedures to identify or understand the objective of the audit, the scope of the audit to be completed, or his anticipated reliance on internal controls. [See esp. AU §§311.03 and 339.05.]

C. Prepare a written audit program or comparable documentation describing the specific areas to be tested and audit procedures to be applied. [See esp. AU §311.05.]

D. Assess the level of control risk, make a preliminary judgment about materiality levels for audit purposes, and consider the risk of material error or fraud or the existence of related party transactions. [See esp. AU §§311 and 316.]

#### **Second Standard of Fieldwork - Internal Controls**

14. The second standard of fieldwork requires that the auditor obtain a sufficient understanding of internal control to plan the audit and to determine the nature, timing, and extent of tests to be performed. (See AU §§150.) The audit contained extreme departures from GAAS requirements with respect to Respondent Nguyen's understanding of the elements of internal control, his evaluation of the internal control structure, and his assessment of the level of control risk, including but not limited to the following:

A. Respondent failed to obtain an understanding of internal control sufficient to plan the audit. Specifically, he failed to obtain a sufficient understanding of the elements of Apex's internal control structure (the control environment, risk assessment, control activities, information and communication, and monitoring) to properly plan the audits; he performed no procedures to understand the design of relevant controls, nor to evaluate whether controls had been placed in operation. (See AU §319.)

B. There is no documentation of respondent's understanding and consideration of the elements of internal control. These failures include his failure to document that a sufficient understanding of the elements of Apex's internal control structure was obtained to properly plan the audits; and his failure to document that he met his responsibility to assess the level of control

1 risk in determining the nature, timing, and extent of substantive tests for financial statement  
2 assertions. There is no documentation of any conclusions, nor of any basis for conclusions,  
3 regarding such a risk assessment.(See AU §§150, 319, and 339.05).

### 4 **Third Standard of Fieldwork - Evidential Matter**

5 15. The third standard of fieldwork requires that the auditor obtain sufficient competent  
6 evidential matter, through inspection, observation, inquiries, and confirmations, to afford a  
7 reasonable basis for an opinion regarding the financial statements under audit. The auditor is  
8 required to evaluate the combined evidence provided by the confirmations and alternative  
9 procedures to determine whether sufficient evidence has been obtained about all applicable  
10 financial statement assertions. The working papers must document the audit evidence obtained,  
11 the auditing procedures applied, and the testing performed in order to meet the requirement that  
12 the auditor's opinion is reasonably based upon sufficient competent evidential matter. (See AU  
13 §§150; 326; 330.33; 333; 337;339.05; and 9337)

14 16. Respondent's performance of the Apex audit contained extreme departures from  
15 GAAS requirements regarding evidential matter, resulting in his failure to obtain and/or to  
16 document sufficient competent evidential matter to support his opinion on the financial  
17 statements. Respondent failed to obtain, and to document in his working papers, the audit  
18 evidence obtained, the auditing procedures applied, and the testing performed to comply with the  
19 requirement that sufficient competent evidential matter be gathered and analyzed to afford a  
20 reasonable basis for an opinion. For example:

21 A. Cash in Bank and Trust Account. Cash balances represented nearly 90% of  
22 Apex's assets. Respondent used a procedure to purportedly confirm bank balances but the  
23 procedure performed was not reasonably related to the purpose of supporting the bank balances  
24 reported on Apex's balance sheet. The bank reported, as of December 31, 1999, a negative bank  
25 balance of \$ 3,383.00 in the regular bank account and a balance of \$ 2,078,454.00 in the trust  
26 account. There is no working paper or other documented explanation prepared by the respondent  
27 to reconcile the aggregate of these two balances to the significantly lower amount of \$ 1,374,954  
28 included as "Cash in Bank and Trust Account" on Apex's balance sheet. The respondent failed

1 to evaluate the evidence obtained from the bank that indicated potential material misstatements  
2 in individual bank account balances included in the records of Apex and in the balance sheet of  
3 Apex as a whole.

4 B. Escrow accounts. Of the \$1,374,954 presented as cash on Apex's balance  
5 sheet, \$1,344,287 related to the total of escrow trust account liabilities. Respondent requested  
6 confirmation of \$428,968 (32%) of the \$1,344,287 escrow liability balance. Respondent, based  
7 on his working paper documentation, claims to have confirmed 27 of the 49 escrow account  
8 liabilities, totaling \$379,076 (28%) of the escrow account liabilities.

9 However, the letters sent to the account holders incorrectly requested  
10 confirmation of the *deposits* in the escrow accounts rather than confirmation of the *balance* in the  
11 escrow accounts. For example, in Account No. 18593, total deposits were \$45,466.67, the  
12 amount "confirmed", whereas the account balance at December 31, 1999, noted in respondent's  
13 working paper listing was \$5,000. There was no apparent recognition of, nor attempted  
14 reconciliation of, this and other discrepancies. Further, when respondent did not receive a  
15 response to twenty-two of the confirmation requests, he did not perform alternative procedures to  
16 satisfy himself as to the existence and accuracy of the no-reply accounts. The working papers  
17 contain no further documentation regarding these accounts.

18 C. Trust Accounts. Respondent performed selected confirmations of deposits  
19 into trust accounts but the working papers lacked an explanation of the method or purpose for  
20 this confirmation procedure and failed to evidence the extent to which the findings related to the  
21 financial statement assertions.

22 D. Other Financial Statement Items. There was no evidence that respondent  
23 applied any audit procedures to the following material financial statement items: fixed assets,  
24 accounts payable, income taxes payable, and revenue and expense accounts.

25 E. Client Representation Letter and Legal Letter. Generally Accepted Auditing  
26 Standards require the auditor to obtain, as of a date on or near the auditor's report date, letters  
27 from the client making certain representations about the financial statements as well as a "legal  
28 representation letter" addressing the existence or non-existence of legal matters which might

1 affect financial statements or disclosures. The client representation letter included in the  
2 respondent's working papers is a form letter which was not tailored to cover representations  
3 regarding Apex financial statements and specific accounts. On the other hand, the letter refers to  
4 issues which are not appropriate for Apex (such as inventories and a consolidated balance sheet).  
5 The letter is dated March 3, 2000, which significantly precedes the auditor's report date of April  
6 14, 2000. Further, there is no reference in the client representation letter to the supplemental  
7 information covered by the auditor's separate report on supplemental information, ignoring the  
8 requirement for representations from management regarding the completeness and accuracy of  
9 the supplemental information.

10               With respect to legal matters (in the legal representation letter), the  
11 representations are made as of April 10, 2000, the date of the legal letter, but have no reference to  
12 the status of such matters as of December 31, 1999, the date of the Apex balance sheet. Thus,  
13 there are no legal representations addressing any of the matters required to have been reported as  
14 of the balance sheet date.

15                               **First and Third General Standards - Technical Proficiency and**  
16                               **Due Professional Care - and the Fourth Standard of Reporting**

17               17. The first general standard requires that an audit be performed by technically  
18 proficient auditors with adequate training. The third general standard requires that the auditor  
19 exercise due professional care in the performance of the audit and in the preparation of the report.  
20 The fourth standard of reporting reiterates requirements regarding the auditor's opinion and  
21 report. (See AU §§150.)

22               18. Respondent's failures, including his lack of technical proficiency and failure to  
23 exercise due professional care, are demonstrated by the extreme departures from standards  
24 described above. Possessing and exercising adequate technical training and proficiency requires  
25 that the auditor study, understand, and apply new pronouncements on accounting principles and  
26 auditing procedures as they are developed by authoritative bodies within the accounting  
27 profession. Due care imposes a responsibility to observe the standards of field work and  
28 reporting, and requires the critical review of the work performed by, and the judgment exercised



1 by, the auditor.

2           The audit working papers failed to include documentation showing that the audit  
3 evidence obtained, the procedures applied, and the testing performed provided sufficient  
4 competent evidential matter to afford a reasonable basis for an opinion on the financial  
5 statements (indicating observance of the third standard of field work). In performing procedures  
6 and gathering evidential matter, the auditor is to continually maintain an attitude of professional  
7 skepticism. When an auditor's report expresses an opinion on the financial statements, the  
8 opinion expressed is to be based upon an audit performed in accordance with GAAS. The  
9 auditor failed to meet the fourth standard of reporting by expressing an opinion on the financial  
10 statements, taken as a whole, based on an audit containing extreme departures from the standards  
11 as noted above. Furthermore, the auditor's report uses incorrect and inaccurate language, or is  
12 misleading, or both, in that it states the opinion using the plural form "we", leading a reader to  
13 conclude that the audit engagement was performed by other than a sole practitioner.

14           19. Respondent failed to obtain and to evaluate evidence in support of the financial  
15 statement assertions, and failed to document that evidence. Respondent failed to exercise  
16 professional skepticism and to apply the requisite skill and judgment to his performance of the  
17 audit engagement. Respondent failed to comply with the third general standard (AU §150.02),  
18 which requires the exercise of due professional care in the performance of the audit and in the  
19 preparation of the report. (See AU §§150; 210; 230; 316; 326; 339 and 508).

20           20. Incorporating by reference the allegations in paragraph 13 (Planning), paragraph 14  
21 (Internal Controls), paragraphs 15 and 16 (Evidential Matter) and paragraphs 17 through 19  
22 (Proficiency, Due Care, and Reporting) above, respondent's extreme departures from  
23 professional standards in each of these significant audit areas constitutes cause for discipline of  
24 respondents' licenses for gross negligence under Code section 5100(c).

## 25                           **SECOND CAUSE FOR DISCIPLINE**

### 26                           **1999 Compilation - Glamour Beauty College**

27           21. On or about October 10, 2000, respondent issued a compilation report for Glamour  
28 Beauty College ("Glamour compilation") as of December 31, 1999.

1           22. Respondent is subject to disciplinary action under Code section 5100(c) in that his  
2 performance of the Glamour compilation was grossly negligent in that it contained extreme  
3 departures from applicable standards. The conduct also violates Code section 5062 and Board  
4 rule 58 in conjunction with Code section 5100(f) in that respondent failed to follow professional  
5 standards and issue a proper report. The circumstances are as follows:

6           A. The compilation report fails to meet reporting standards in that SSARS No. 1  
7 (specifically AR §100.14) requires that a report on compiled financial statements state that the  
8 report was prepared in accordance with Statements of Standards for Accounting and Review  
9 Services.

10           B. The respondent submitted financial statements without the proper report. He  
11 prepared the balance sheet and income statement without a report in June 2000. Then, in  
12 response to a request by the client in October 2000, he prepared the compilation report covering  
13 only the balance sheet and income statement. Also upon request from the client, respondent  
14 added the cash flow statement and disclosures, but did not revise the report for inclusion of the  
15 additional items. This conduct violates the requirements of SSARS No. 1 (AR §100.05-.07)  
16 which provide that an accountant should not consent to the use of his name in a document  
17 containing unaudited financial statements of a nonpublic entity unless he has compiled or  
18 reviewed the financial statements and his report accompanies them, or the financial statements  
19 are accompanied by an indication that the accountant has not compiled or reviewed the financial  
20 statements and that he assumes no responsibility for them.

21           C. The statement of cash flows is prepared with inappropriate wording in  
22 violation of SFAS No. 95, paragraph 26. Cash balances and other amounts do not reconcile to the  
23 balance sheet. There was no disclosure of supplemental information for interest and income  
24 taxes paid, in violation of SFAS No. 95, paragraph 29.

25           D. There is an improper reference on the balance sheet and statements of income  
26 and cash flows to the "independent auditor's compilation report." This is not an audit  
27 engagement, and the reference should be to the "accountant's" compilation report, as provided by  
28 SSARS No. 1 (AR §100.16).

23. Incorporating by reference the allegations in paragraphs 20 and 21, respondents' licenses are subject to discipline under Code section 5100(c) for gross negligence. Respondent is also subject to discipline under Code section 5100(f) for unprofessional conduct in that his compilation engagement contained instances of extreme departures from professional standards for conducting and reporting on compilation engagements, in violation of Code section 5062 and Board Rule 58.

## OTHER MATTERS

24. Pursuant to Code section 5107, it is requested that the administrative law judge, as part of the proposed decision in this proceeding, direct respondents to pay to the Board all reasonable costs of investigation and prosecution in this case, including, but not limited to, attorneys' fees.

25. It is charged, in aggravation of penalty, that, prior to the misconduct alleged herein, respondent Nguyen was on notice regarding inadequacies in his attest work in that the most recent Peer Review Report of his firm (LIEN D. NGUYEN CPA Inc.), dated in 1992, stated that “...the Firm’s quality control policies and procedures for supervision regarding the use of audit programs and the documentation of engagement planning and the Firm’s understanding of EDP controls were not appropriately designed to provide the firm with reasonable assurance of conforming with professional standards.”

## PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the Board of Accountancy issue a decision:

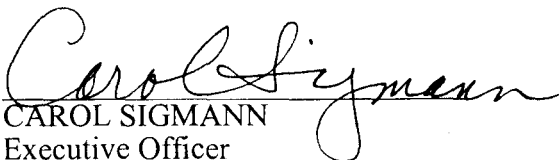
1. Revoking, suspending, or otherwise imposing discipline on Certified Public Accountant Certificate Number 50144 and on Corporation License COR 4774, issued to LIEN D. NGUYEN and LIEN D. NGUYEN CPA Inc.;

2. Ordering LIEN D. NGUYEN to pay the Board of Accountancy the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code section 5107;

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1 3. Taking such other and further action as deemed necessary and proper.

2 DATED: February 7, 2002.

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5 CAROL SIGMANN  
6 Executive Officer  
7 California Board of Accountancy  
8 Department of Consumer Affairs  
9 State of California

10 Complainant